

Message Text

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ACTION SS-25

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FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 7419

C O N F I D E N T I A L CAIRO 13101

EXDIS

EO 11652: GDS

TAGS: ENRG, PFOR, EG, US, IS, XE

SUBJ: AMOCO OPERATIONS IN GULF OF SUEZ - PRACTICAL SOLUTION
TO SEPT 20 DEADLINE

REF CAIRO 12623,

1. ROSS CRAIG, AMOCO/EGYPT MANAGER, HAS PROVIDED US WITH
COPIES OF CORRESPONDENCE CONCERNED WITH PRACTICAL ASPECTS
OF AMOCO'S RETENTION DRILLING RIGHTS IN BLOCK 304 EXCHANGED
BETWEEN AMOCO AND MINPET. DEPT WILL NOTE SOME DIFFEENCES
COMPARED WITH INFO PROVIDED BY MIN HILAL (REFTEL).
TEXTS OF LETTERS FOLLOW:

(A) CRAIG (AMOCO) TO HILAL (MINPET) SEPT 17, 1976:

QTE

ART VIII OF THE CONCESSION AGREEMENT FOR PETROLEUM AND PRO-
DUCTION IN CERTAIN AREAS OF THE GULF OF SUEZ, WESTERN DESERT
AND NILE VALLEY, EFFECTIVE 1 JULY 1975, PROVIDES THAT
"ON THE 20TH OF SEPT 1976, AMOCO SHALL RELINQUISH TO THE GOVT
THE BLOCKS INCLUDED IN SUB-AREA 'C' NOT THEN CONVERTED TO
A DEVELOPMENT LEASE OR LEASES, AND FOR WHICH NO APP-
LICATION FOR CONVERSION HAS BEEN MADE."

IN FURTHERANCE OF THE FOREGOING, AMOCO HEREBY ADVISES
THE GOVT THAT AS OF SEPT 20, 1976, IT WILL RELINQUISH THE 18
EXPLORATION BLOCKS OF SUB-AREA 'C' OF THE CONCESSION AGREE-
MENT NUMBERED AS FOLLOWS: 92, 104, 112, 113, 114, 122, 131,
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132, 133, 143, 144, 155, 156, 334, 344, 342, 352 AND 355

UNQTE.

(B) LEITHY (EGPC CHAIRMAN) TO CRAIG (AMOCO), SEPT 18, 1976

QTE

WITH REF TO YOUR LETTER OF SEPT 17, 1976 CONCERNING THE RELINQUISHMENT OF THE 18 BLOCKS LOCATED IN SUB-AREA 'C' OF THE CONCESSION AGREEMENT FOR EXPLORATION AND PRODUCTION IN CERTAIN AREAS OF THE GULF OF SUEZ, THE WESTERN DESERT AND NILE VALLEY EFFECTIVE JULY 1, 1975 AND TO OUR CONVERSATION REGARDING THE 2 EXPLORATION BLOCKS NOS 313 AND 304, WE HEREBY CONFIRM OUR CONCURRENCE WITH YOUR RETENTION OF SAID 2 BLOCKS IN ACCORDANCE WITH AND SUBJECT TO THE APPLICABLE PROVISIONS OF THE ABOVE MENTIONED CONCESSION AGREEMENT. WE UNDERSTAND THAT AS SOON AS THE MARINER I RIG COMPLETES THE DRILLING OF JULY WELL NO 25 IT WILL BE MOVED DIRECTLY TO THE SLECTED LOCATION IN BLOCK 304. UNQTE

(C) CRAIG TO LEITHY, SEPT 22, 1976: QTE

THANK YOU FOR YOUR LETTER OF THE 18TH OF SEPT 76 CONCERNING THE RETENTION OF BLOCKS 313 AND 304.

WE WISH TO CONFIRM TO YOU OUR AGREEMENT TO DIRECT THE MARINER I TO DRILL A WELL IN BLOCK 304 AFTER THE COMPLETION OF THE DRILLING OF JULY WELL NO 25 WITHOUT PREJUDICE TO OUR RIGHTS UNDER THE CONCESSION AGREEMENT. UNQTE

2. IN CONVERSATION SEPT 28, CRAIG EXPLAINED THAT EGYPTIANS WOULD NOT ACCEPT FORCE MAJEURE AS REASON FOR RETENTION 304 AND 313. THE PREFERRED TO USE PREVIOUS FORMULA WHEREBY BLOCKS NOT AVAILABLE WERE NOT SPECIFICALLY IDENTIFIED. HENCE NO MENTION OF BLOCK 304 OR 313 IN LETTER QUOTED A ABOVE. CONVERSATION REFERRED TO IN LETTER B ABOVE CONTAINED SUBSTANCE OF ARRANGEMENT AND PROVIDED FOR RETENTION OF BLOCK 313 ON BASIS EXPLORATORY DRILLING STILL GOING ON. RETENTION RIGHTS IN BLOCK 304 ALSO BASED ON FACT THAT QUOTE ACTIVE EXPLORATION UNQUOTE STILL CONTINUING. IN EFFECT EGPC CHOSE TO IGNORE TERMS OF AGREEMENT AND HAS APPARENTLY EXTENDED CONFIDENTIAL

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AMOCO'S RIGHTS FOR INDEFINITE PERIOD.

3. ALTHOUGH LETTERS SEEM TO COMMIT AMOCO TO FURTHER ATTEMPT AT SITE 304, CRAIG'S OPINION IS THAT EFFECT WILL BE THAT BOTH SIDES WILL HAE TO TAKE ANOTHER LOOK AT MATTER WHEN MARINER HAS FINISHED ITS WORK AT SITE 25 IN JULY FIELD. DEPT WILL NOTE THAT THERE IS NO MENTION OF ANY SPECIFIC TIME PERIOD IN EXCHANGE OF LETTERS. CRAIG BELIEVES THAT WORK

IN JULY WILL TAKE APPROX 45 DAYS (FROM SEPT 17). HENCE HE WOULD EXPECT TO HAVE TO MAKE DECISION ON WHETHER TO TRY TO RETURN TO SITE 304 PROBABLY LAST WEEK IN OCT. HE EMPHASIZED, HOWEVER, HE FEELS HIMSELF UNDER NO OBLIGATION TO ATTEMPT RETURN UNLESS HE HAS ASSURANCES FROM USG THAT SUCH ATTEMPT WOULD NOT RPT NOT MEET WITH ARMED ISRAELI INTERFERENCE. CRAIG ALSO SAID HE DOES NOT INTEND CROSS MEDIAN LINE UNTIL AFTER SECRETARY'S MEETINGS IN NEW YORK (AN UNDERTAKING WE ASSUME WAS WORKED OUT WITH AMCO PRES ADAMS). CRAIG'S STATEMENTS DO NOT ALTER GOE POSITION THAT DRILLING MUST BEGIN END OF OCT AT 304, AS STATED BY FAHMY AND HILAL TO CHARGE.

4. CRAIG WENT ON TO EXPLAIN MORE IMMEDIATE PROBLEM IS WORK AT SITE 13 (NEW PRODUCTION) IN RAMADAN FIELD (COORDINATES FOR SITE 13 ARE 28 DEGREES, 18 MINUTES, 11.30 SECONDS NORTH, 33 DEGREES, 18 MINUTES, 52.02 SECONDS EAST). AS REPORTED CAIRO 2284, ORIGINAL ATTEMPT TO PLACE LOCATION BUOY AT THIS SITE MET WITH ISRAELI INTERFERENCE. RIG NAMED ESTRALITA, WHICH IS SCHEDULED TO COMPLETE ITS WORK AT RAMADAN PLATFORM NO 5 IN TWO WEEKS, IS RIG SLATED TO BEGIN WORK ON SITE 13. HENCE CRAIG WILL HAVE TO MAKE DECISION SOON ON WHETHER TO ATTEMPT PLACE LOCATION BUOY AND MOVE TO SITE 13, OR MOVE ESTRALITA TO ANOTHER LOCATION. DEPT WILL RECALL THAT SITE 13 IS ON A DIRECT LINE WITH PRODUCTION PLATFORM NO 4. ACCORDING TO MAP GIVEN TO US BY ISRAELIS, IT WOULD LIE ALMOST IN EXACTLY SAME POSITION WITH REGARD TO ISRAELI ZONE OF CONTROL AS PLATFORM NO 4. IT SHOULD BE NOTED THAT THERE IS NO RPT NO DEADLINE, HOWEVER, CONNECTED WITH WORK AT SITE 13, BUT IF PLANS FOR PUTTING PLATFORM AT SITE 13, WHICH IS DIRECTLY INVOLVED IN DEVELOPMENT OF RAMADAN FIELD, HAVE TO BE DELAYED, THIS WOULD CLEARLY AGGRAVATE SITUATION HERE.

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5. EMBASSY WOULD APPRECIATE BRIEF RUNDOWN ON DEPT'S MEETING WITH AMOCO PRES ADAMS SUBSEQUENT TO DISCUSSIONS IN WASHINGTON WITH ISRAELIS. WOULD ALSO LIKE TO RECEIVE COPY OF COMPOSITE MAP SHOWING VARIOUS MEDIAN LINES, CONCESSION BLOCK OUTLINES AND DATED CONCESSION AREAS.
MATTHEWS

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